HOUSING MARKET OUTLOOK
Windsor CMA

CANADA MORTGAGE AND HOUSING CORPORATION

Date Released: Spring 2016

Highlights[1]

- Between 1,100 and 1,350 housing starts will occur in Windsor CMA in 2016.
- The average MLS[®2] sale price this year will fall within the range of $206,000 to $212,000.
- Between 6,700 and 7,100 MLS[®] sales will occur in Windsor CMA in 2016.
- The vacancy rate for rental apartment structures with three or more units will be 3.7 per cent this year.

Figure 1

Source: CMHC (Starts and Completions Survey). (F) = CMHC forecast

[1] The forecasts and historical data included in this document reflect information available as of April 29, 2016.

[2] Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Table of Contents

1 Highlights
2 New Home Market: Higher Housing Starts in 2016
3 Existing Home Market: Stronger Growth in Average MLS® Sale Price in 2016
4 Rental Market: Vacancy Rate to Decrease Slightly in 2016
5 Economic Trends: Job Growth in Windsor CMA in 2016
5 Mortgage rates are expected to rise moderately from current levels in 2017
7 Trends at a Glance
7 Risk to the Outlook
9 Forecast Summary

SUBSCRIBE NOW!

Access CMHC's Market Analysis Centre publications quickly and conveniently on the Order Desk at www.cmhc.ca/housingmarketinformation. View, print, download or subscribe to get market information e-mailed to you on the day it is released. CMHC's electronic suite of national standardized products is available for free.

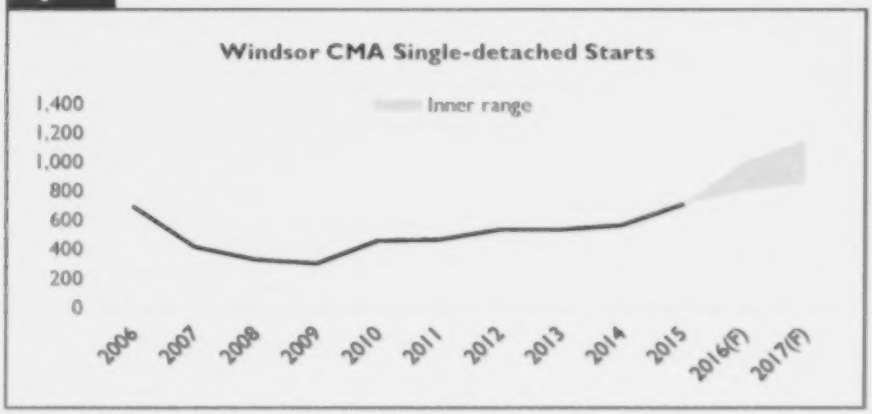
New Home Market: Higher Housing Starts in 2016

Total housing starts in Windsor CMA will be within the range of 1,100 and 1,350 units in 2016. What is already an undersupplied resale market will have a greater shortage of listings this year, causing more buyers to consider housing options in the new home market. Greater population growth and improved employment conditions in Windsor will lead to greater housing demand. Resale market new listings will increase, as greater growth in the average MLS® sale price will cause a higher number of households to sell their existing home to purchase a new home. However, new listings will grow at a much lower rate than MLS® sales. Single-detached starts will be higher this year, while multi-unit starts will be similar to 2015.

Single-detached starts will fall within the range of 800 and 1,000 units this year, the highest level since 2005. For the remainder of the year, single-detached starts will continue at a similar robust pace as the past six months. Builders have been starting more single-detached homes without first securing a buyer, in response to the large shortage of homes listed for sale. As a result, the number of completed and unsold single-detached homes has risen to a fairly high level in Windsor. Greater housing demand over the remainder of the year will help to stabilize the number of completed and unsold single-detached homes, allowing builders to maintain the current rate of starts. Single-detached starts in both the City of Windsor and the areas that make up the remainder of Windsor CMA, such as Amherstburg, Lakeshore, LaSalle and Tecumseh, are on pace to increase this year. The greatest growth is expected to occur in the City of Windsor.

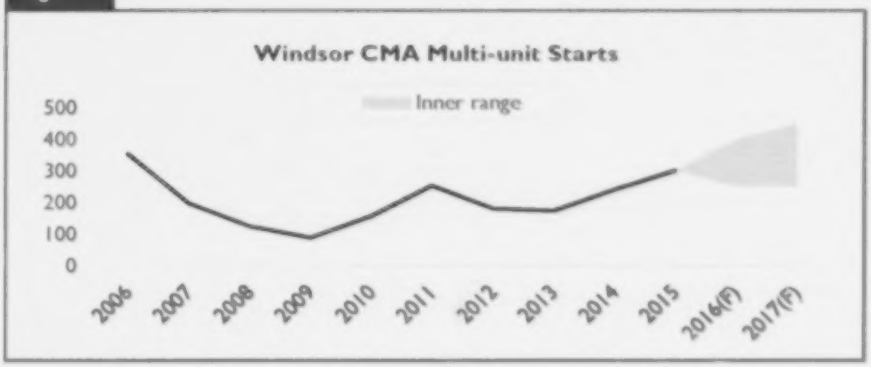
Between 250 and 400 multi-unit starts will occur in Windsor in 2016. Multi-unit starts would finish the year below the forecast range, if it were to continue at the same rate as the past six months. Higher starts of row and semi-detached homes will lead

Figure 2



Source: CMHC (Starts and Completions Survey); (F) = CMHC forecast

Figure 3



Source: CMHC (Starts and Completions Survey); (F) = CMHC forecast

Note to readers

In an effort to align itself with the various needs of those seeking information about the housing market, CMHC's Market Analysis Centre has undertaken a complete review of its products and services. As a part of this review, the CMHC's *Housing Market Outlook* publication will be undergoing a series of modifications. The general objective is to provide a range of possible outcomes that, in a context of economic and financial uncertainty, will better help users in their decision-making process.

As a first step in this ongoing process, the present edition incorporates forecast ranges for housing variables as well as an expanded discussion on the risks to the forecast. A more detailed description of the forecast range methodology is provided at the end of the publication.

to higher multi-unit starts over the remainder of the year. The growing number of seniors' households that wish to downsize but remain in ground-oriented housing will lead to greater demand for new row and semi-detached homes. The vast majority of these starts will continue to be freehold ownership, where the unit and lot are owned individually. Condominium and rental multi-unit starts will remain low in Windsor.

Total housing starts in Windsor CMA will be within the range of 1,150 to 1,450 units in 2017. Housing starts will grow again next year, as the resale market will continue to be considerably undersupplied. Greater housing demand is forecast for Windsor CMA next year due to slightly stronger population growth and job growth. Mortgage rates will start to edge up in the middle of 2017, but this will hardly affect homeownership demand in Windsor due to its affordable home prices. Single-detached starts and multi-unit starts are both forecast to grow at a similar rate next year. Between 850 and 1,150 single-detached starts will occur and multi-unit starts will be within the range of 250 to 450 units.

Existing Home Market: Stronger Growth in Average MLS® Sale Price in 2016

The average MLS® sale price in Windsor is expected to fall within the range of $206,000 to $212,000. MLS® sales will move up over the remainder of 2016. New listings, which have been relatively stable in Windsor, are expected to edge up slightly in the second half of 2016 in response to greater home price growth. However, new listings will grow at a weaker rate than MLS® sales during that period. Throughout the year, the number of new listings in Windsor will be far below what's needed to keep the resale market in balance.

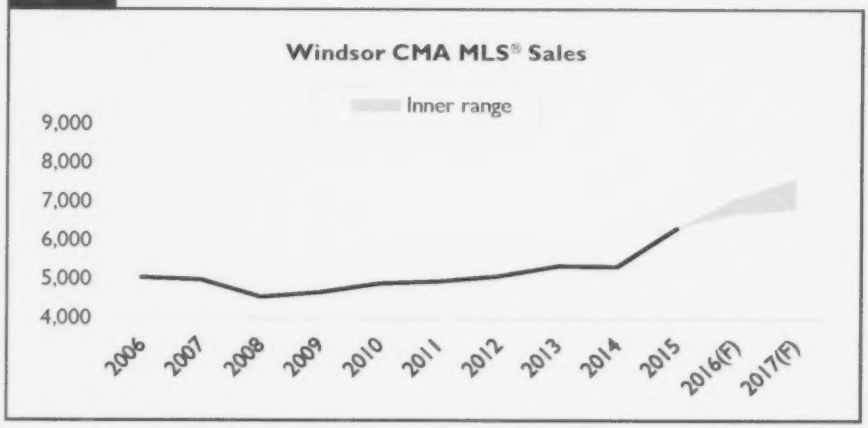
The average MLS® sale price will be within the range of $215,000 to $225,000 in 2017. New listings will be up next year and grow at a similar rate as MLS® sales. However, the resale market will continue to clearly favour sellers, with a sales-to-new-listings ratio well above sixty per cent.

Between 6,700 and 7,100 MLS® sales will occur in Windsor CMA in 2016. MLS® sales in Windsor are currently at ten year highs and will continue to increase this year, due to greater population growth, job growth and affordable house prices. As in 2015, higher MLS® sales will also be supported by buyers that delayed their home purchase until economic conditions improved in Windsor. The nearly 20 per cent increase in MLS® sales in 2015 in Windsor can partly be attributed to pent-up demand.

Figure 4

Source: CREA; (F) = CMHC forecast

Figure 5



Source: CREA; (F) = CMHC forecast

A greater number of people will move to Windsor in 2016, leading to greater population growth. The gap will continue to close between the unemployment rates in Windsor and Alberta, causing a greater number of people that left Windsor to move back. Many people re-locating from Alberta to Windsor will bring with them sufficient savings be able to buy a home. A similar number of seniors' households will continue to move to Windsor from Ontario markets such as Hamilton and Toronto, where average house prices are two and three times higher. Migration from other countries to Ontario increased starting the second half of 2015, suggesting greater international migration to Windsor during that time. International migration to Windsor is expected to increase again this year. However, changes in international migration to Windsor have historically not had a significant impact on MLS® sales until three years later.

In 2016, average household income in Windsor will be nearly double the income required[3] to buy the average resale home of $206,000 to $212,000. Resale homes will remain very affordable to the average household, despite average weekly earnings growing less than the average MLS® sale price. Mortgage rates are expected to be stable during 2016.

Between 6,800 and 7,600 MLS® sales will occur in Windsor CMA in 2017. Slightly greater population growth and another year of job growth will continue to push MLS® sales higher during 2017. MLS® sales will be relatively unaffected when mortgage rates start to edge higher in the second quarter of 2017, as actual average household income will remain well above what's required income to buy the average resale home.

Rental Market: Vacancy Rate to Decrease Slightly in 2016

The vacancy rate for rental apartment structures with three or more units will decrease from 3.9 per cent in 2015 to 3.7 per cent in 2016. The number of renters will increase more than the number of rental units added to the market, which is expected to be low again this year. Greater population growth will lead to greater rental housing demand in Windsor. More people will move to Windsor from other countries than in 2015, the majority of which will rent in their first year there. The increase in international migration and a greater number of young adults moving out of the parental home to rent will more than offset a higher number of renters transitioning into homeownership this year. Improved employment conditions in Windsor will cause more renters to vacate their units to buy a home than in 2015. However, a lower unemployment rate will also cause a greater number of young adults to move out of the parental home to rent. Tenants will accept sizeable rent increases due to fewer vacant units and a higher Ontario Rent Increase Guideline. Average monthly market rent for two-bedroom units will increase from $824 in 2015 to $850 in 2016.

The number of renters will also increase more than the number of new rental units in 2017, causing the vacancy rate to decrease to 3.5 per cent. Greater population growth and a lower unemployment rate will lead to greater rental demand. The number of renters transitioning into homeownership will increase but at a lower rate than in 2016, due to stronger growth in mortgage carrying costs caused by rising prices and slightly higher mortgage rates.

Figure 6

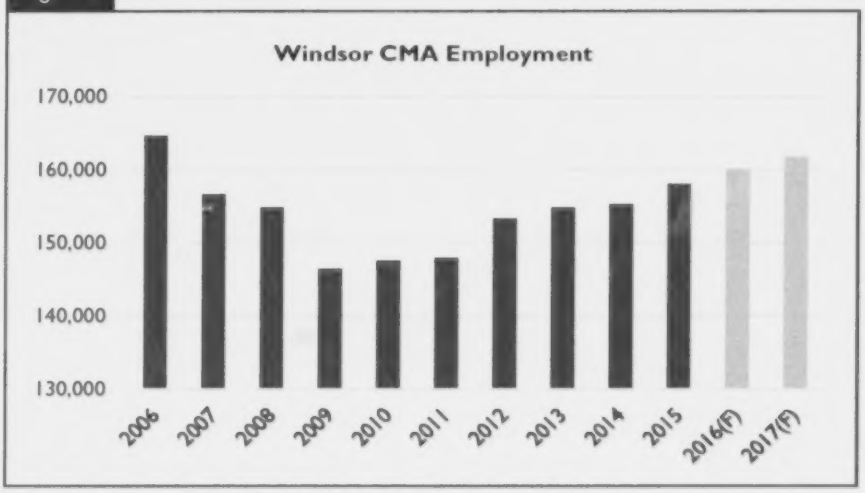
Source: CMHC (Fall Rental Market Survey); (F) = CMHC forecast

[3] Required income is mortgage carrying costs divided by 0.32 to reflect the usual 32 percent gross debt service ratio. Mortgage carrying costs are calculated on the average MLS® price, a 10 per cent down payment, the five year mortgage benchmark rate and the longest available amortization.

Economic Trends: Job Growth in Windsor CMA in 2016

Windsor CMA employment is expected to contribute to greater housing demand in 2016, growing 1.3 per cent to 160,000 jobs. The goods-producing sector added the greatest number of jobs in Windsor in 2015, as the large drop in the US to Canadian dollar exchange rate made its exports more attractive to its largest trading partner. Greater US consumer spending and a relatively stable Canadian to US dollar exchange rate will support more hiring by manufacturing firms, particularly in the automotive industry. Average hours worked in Ontario's goods-producing sector has trended up and currently exceeds 38 hours per week. Job growth has historically occurred in Windsor under similar labour market conditions. A greater number of people will have jobs in industries such as business support services and professional services as a result of job growth in manufacturing. More people will work in industries such as finance, insurance and real estate and construction due to higher MLS® sales and housing starts. Businesses related to travel and accommodation will also begin to reap the benefits of a wealthier US consumer and low Canadian to US dollar exchange rate.

Figure 7



Source: Statistics Canada (Labour Force Survey); (F) = CMHC forecast

Approximately 162,000 people will have jobs in Windsor CMA in 2017, as job growth slows slightly from 2016. The Canadian to US dollar exchange rate is expected to remain low in 2017, supporting job growth in manufacturing and agriculture. Companies that provide services to manufacturing firms will continue to hire. Spin off jobs from higher MLS® sales and higher housing starts will also be up. Construction employment will receive a further boost from the commencement of construction of the Gordie Howe International Bridge.

Mortgage rates are expected to rise moderately from current levels in 2017

Mortgage rates are expected to stay near current levels until the end of 2016, supporting housing demand. Consistent with the view of Canadian economic forecasters, CMHC expects interest rates to gradually start rising from current levels in the first half of 2017. This expected profile for mortgage rates is in line with the Bank of Canada's view of the economy returning to its full capacity by the end of 2017, according to its April 2016 Monetary Policy Report.

According to CMHC's base case scenario, the five-year mortgage rate is expected to be within the 4.4 to 5.0 per cent range in 2016 and within the 4.7 to 5.3 per cent range in 2017.

Methodology for forecast ranges

The present edition of *Housing Market Outlook* incorporates forecast ranges for housing variables. Despite this change, all analyses and forecasts of market conditions continue to be conducted using the full range of quantitative and qualitative tools currently available. Two sets of ranges are presented in the publication:

- An inner range, which provides more precise guidance to readers on the outlook while recognizing the small random components of the relationship between the housing market and its drivers. This inner range is based on the coefficient of variation* of historical data and on past forecast accuracy. This range provides precision and direction for forecasts of housing variables, given a specific set of assumptions for the market conditions and underlying economic fundamentals.
- An outer range, which reflects potential risks to the forecast due to, for example, the impact of economic shocks. The outer range is based on a broader coefficient of variation of historical data and on past forecast accuracy. This range includes some low-probability events that could have a significant impact on the forecast.

Downward (or upward) adjustments to the ranges may be applied based on local market intelligence if there are more sources of risks (upside or downside) for that specific market.

* The coefficient of variation in this case is the standard deviation divided by the mean of that series. A higher coefficient of variation would produce wider ranges due to the higher volatility of the data, while a lower coefficient of variation would produce tighter ranges.

Trends at a Glance

Key Factors and their Effect on Housing Starts	
Mortgage Rates	Mortgage rates are expected to stay near current levels until the end of 2016, and then begin to rise gradually. Demand for new homes will hardly be affected as new home prices in Windsor will remain affordable.
Employment	Job growth in 2016 and 2017 will lead to greater housing demand and support higher housing starts.
Population Growth	Stronger population growth in 2016 and 2017 will lead to greater housing demand, putting upward pressure on housing starts.
Resale Market	The resale market is expected to be undersupplied in 2016 and 2017, causing more buyers to turn to the new home market for their home.

Risk to the Outlook

The presence of uncertainty poses some risks to the Windsor economic and housing outlook. This can result in a wider range of possible outcomes versus our forecast. Risks to the Windsor housing markets remain balanced.

Housing Starts

- Fewer multi-unit projects breaking ground versus our forecast could result in total housing starts being closer to the lower end of the outer range.
- Affordability eroding more than expected due to slower wage growth and prices rising faster than our forecast could lead to a greater shift in demand for less expensive housing than our outlook, pulling total housing starts to the lower end of the outer range.

Figure 8

Source: CMHC (Starts and Completions Survey); (F) = CMHC forecast

- A stronger job market than our forecast, due to a greater than expected pick-up in the US economy and demand for Windsor's exports, could result in greater housing demand than our outlook and lead to total housing starts being at the higher end of the outer range.
- Stronger population growth than our forecast due to greater than expected migration could result in greater housing demand than our outlook, which could push total housing starts closer to the higher end of the outer range.

Average MLS® Sale Price

- Affordability eroding more than expected due to slower wage growth and prices rising faster than our forecast could lead to a greater shift in demand for less expensive housing than our outlook. With less expensive homes forming a larger proportion of total existing home sales, the average MLS® sale price would be closer to the lower end of the outer range.
- A stronger job market than our forecast, due to a greater than expected pick-up in the US economy and demand for Windsor's exports, could result in greater housing demand than our outlook and push the average MLS® sale price closer to the higher end of the outer range.
- Stronger population growth than our forecast due to greater than expected migration could result in greater housing demand than our outlook, causing the average MLS® sale price to be closer to the higher end of the outer range.

Figure 9

Source: CREA; (F) = CMHC forecast

Figure 10

Source: CREA; (F) = CMHC forecast

MLS® sales

- Affordability eroding more than expected due to slower wage growth and prices rising faster than our outlook could cause more people to choose rental housing over homeownership than our forecast, pushing MLS® sales closer to the lower end of the outer range.
- A stronger job market than our outlook, due to a greater than expected pick-up in the US economy and demand for Windsor's exports, could result in greater housing demand than forecast and cause MLS® sales to be closer to the higher end of the outer range.
- Stronger population growth than our forecast due to greater than expected migration could result in greater housing demand than our outlook, pushing MLS® sales closer to the higher end of the outer range.

Forecast Summary Windsor CMA Spring 2016							
	2013	2014	2015	2016(F)		2017(F)	
				(L)	(H)	(L)	(H)
New Home Market							
Starts:							
Single-Detached	535	566	709	800	1,000	850	1,150
Multiples	173	240	301	250	400	250	450
Starts - Total	708	806	1,010	1,100	1,350	1,150	1,450
Resale Market							
MLS® Sales	5,341	5,332	6,322	6,700	7,100	6,800	7,600
MLS® Average Price($)	179,820	187,283	196,664	206,000	212,000	215,000	225,000
Economic Overview							
Mortgage Rate(5 year)(%)	5.24	4.88	4.67	4.40	5.00	4.70	5.30

	2013	2014	2015	2016(F)	2017(F)
Rental Market					
October Vacancy Rate (%)	5.9	4.3	3.9	3.7	3.5
Two-bedroom Average Rent (October)($)	788	798	824	850	875
Economic Overview					
Population	332,547	334,304	335,787	337,500	339,500
Annual Employment Level	154,800	155,200	158,000	160,000	161,800

Multiple Listing Service® (MLS®) is a registered trademark of the Canadian Real Estate Association (CREA).

Rental Market: Privately initiated rental apartment structures of three units and over.

The forecasts (F) included in this document are based on information available as of 29th April 2016. (L)=Low end of Range. (H)=High end of range.

The low end (L) and the high end (H) of forecast ranges for residential housing starts for singles and multiples jointly may not add up to the total. This is due to rounding and volatility of the data.

Source: CMHC (Starts and Completions Survey and Market Absorption Survey), Statistics Canada, CREA(MLS®), CMHC Forecast (2016-2017).

DEFINITIONS AND METHODOLOGY

New Home Market

Historical home starts numbers are collected through CMHC's monthly Starts and Completions Survey. Building permits are used to determine construction sites and visits confirm construction stages. A start is defined as the beginning of construction on a building, usually when the concrete has been poured for the whole of the structure's footing, or an equivalent stage where a basement will not be part of the structure.

Single-Detached Start:
The start of a building containing only one dwelling unit, which is completely separated on all sides from any other dwelling or structure.

Semi-Detached Start:
The start of each of the dwellings in a building containing two dwellings located side-by-side, adjoining no other structure and separated by a common or party wall extending from ground to roof.

Row (or Townhouse) Start:
Refers to the commencement of construction on a dwelling unit in a row of three or more attached dwellings separated by a common or party wall extending from ground to roof.

Apartment and other Starts:
Refers to the commencement of construction on all dwellings other than those described above, including structures commonly known as stacked townhouses, duplexes, triplexes, double duplexes and row duplexes.

Average and Median Single Detached Home Prices:
Are estimated using CMHC's Market Absorption Survey, which collects home prices at absorption and measures the rate at which units are sold or rented after they are completed. Dwellings are enumerated each month after a structure is completed until full absorption occurs. The term "absorbed" means that a housing unit is no longer on the market as it has been sold or rented.

New Home Price Indexes:
Changes in the New Home Price Indexes are estimated using annual averages of Statistics Canada's monthly values for New Housing Price Indexes (NHPI).

Resale Market

Historical resale market data in the summary tables of the Housing Market Outlook Reports refers to residential transactions through the Multiple Listings Services (MLS®) as reported by The Canadian Real Estate Association (CREA). In Quebec, this data is obtained by the Centris® listing system via the Quebec Federation of Real Estate Boards.

MLS® (Centris® in the province of Quebec) Sales:
Refers to the total number of sales made through the Multiple Listings Services in a particular year.

MLS® (Centris® in the province of Quebec) Average Price:
Refers to the average annual price of residential transactions through the Multiple Listings Services.

Rental Market

Rental Market vacancy rates and two bedroom rents information is from Canada Mortgage and Housing Corporation's (CMHC's) October Rental Market Survey (RMS). Conducted on a sample basis in all urban areas with populations of 10,000 and more, the RMS targets privately initiated structures with at least three rental units, which. have been on the market for at least three months. The survey obtains information from owners, managers, or building superintendents through a combination of telephone interviews and site visits.

Vacancy Rate:
The vacancy rate refers to the average vacancy rate of all apartment bedroom types. A unit is considered vacant if, at the time of the survey, it is physically unoccupied and available for immediate rental.

Two Bedroom Rent:
The rent refers to the average of the actual amount tenants pay for two bedroom apartment units. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.

Economic Overview

Labour Force variables include the Annual Employment Level, Employment Growth, Unemployment Rate. Source: Statistics Canada's Labour Force Survey.

Net Migration:
Sum of net interprovincial (between provinces), net intra-provincial (within provinces), net international (immigration less emigration), returning Canadians and temporary (non-permanent) residents as provided to the CANSIM database by Statistics Canada's Demography Division. Sources of inter-provincial and intra-provincial migration data include a comparison of addresses from individual income tax returns for two consecutive years from Canada Revenue Agency (CRA) taxation records. The migration estimates are modelled, with the tax file results weighted to represent the whole population.

CMHC—HOME TO CANADIANS

Canada Mortgage and Housing Corporation (CMHC) has been Canada's national housing agency for almost 70 years.

CMHC helps Canadians meet their housing needs. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer objective housing research and information to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at www.cmhc.ca or follow us on Twitter, YouTube, LinkedIn and Facebook.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274.

Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

The Market Analysis Centre's (MAC) electronic suite of national standardized products is available for free on CMHC's website. You can view, print, download or subscribe to future editions and get market information e-mailed automatically to you the same day it is released. It's quick and convenient! Go to www.cmhc.ca/en/hoficlincl/homain

For more information on MAC and the wealth of housing market information available to you, visit us today at www.cmhc.ca/housingmarketinformation

To subscribe to printed editions of MAC publications, call 1-800-668-2642.

©2016 Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

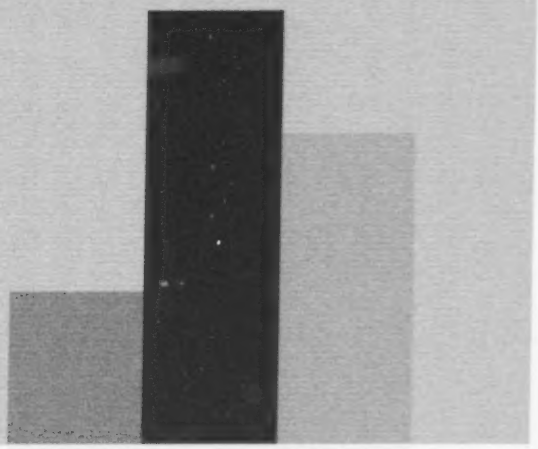
Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of any CMHC Market Analysis publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or entire CMHC Market Analysis publications, please complete the CMHC Copyright request form and email it to CMHC's Canadian Housing Information Centre at chic@cmhc.ca. For permission, please provide CHIC with the following information: Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.

Housing market intelligence you can count on



FREE REPORTS AVAILABLE ON-LINE

- Canadian Housing Statistics
- Condominium Owners Report
- Housing Information Monthly
- Housing Market Outlook, Canada
- Housing Market Outlook, Highlight Reports – Canada and Regional
- Housing Market Outlook, Major Centres
- Housing Market Tables: Selected South Central Ontario Centres
- Housing Now, Canada
- Housing Now, Major Centres
- Housing Now, Regional
- Monthly Housing Statistics
- Northern Housing Outlook Report
- Preliminary Housing Start Data
- Rental Market Provincial Highlight Reports
- Rental Market Reports, Major Centres
- Rental Market Statistics
- Residential Construction Digest, Prairie Centres
- Seniors' Housing Reports

CMHC's Market Analysis Centre e-reports provide a wealth of detailed local, provincial, regional and national market information.

- **Forecasts and Analysis –** Future-oriented information about local, regional and national housing trends.
- **Statistics and Data –** Information on current housing market activities – starts, rents, vacancy rates and much more.

Get the market intelligence you need today!

Click www.cmhc.ca/housingmarketinformation to view, download or subscribe.

HOUSING MARKET INFORMATION PORTAL

The housing data you want, the way you want it

Information in one central location.

Quick and easy access.

Neighbourhood level data.

cmhc.ca/hmiportal

64335_2016_B01